UC Berkeley Foundation ESG Subcommittee
Guidelines on Divestment

Preamble

Building on the UC Berkeley Foundation (UCBF) Environmental, Social, and Governance Principles, the following describes the UCBF Board of Trustees' commitment to responsible investment of the endowment, and sets forth guidelines in pursuit of this commitment.

The endowment supports Berkeley's mission of teaching, research and public service. Trustees have a fiduciary duty to generate the greatest possible financial return, subject to the appropriate level of risk, in service of this mission. As elaborated in the UCBF Investment Policy Statement, the primary objective of the endowment is to preserve purchasing power for future generations while providing a stable flow of funds to the campus. Given this responsibility, there is a strong presumption against making investment decisions based on non-financial factors.

In general, the Board of Trustees favors engagement on environmental, social and governance issues. To that end, we have developed proxy voting guidelines on a range of ESG issues [link].

However, the Trustees recognize that in extraordinary circumstances, a company's conduct may result in social injury far outweighing social benefits, and that holding financial interests in it would run contrary to the university's mission.

Decision to Divest

The UCBF may consider divesting from an individual company or, in cases where a certain sector or industry is implicated, from a clearly defined group of like companies.

Concerns over ESG issues may be raised by any member of the campus community for consideration by the UCBF ESG Subcommittee. If the ESG Subcommittee determines that the issue appears serious enough to consider divestment, the Subcommittee will consult with the Chancellor's Office, the Academic Senate and the ASUC to establish a task force with relevant expertise, including faculty, undergraduate and graduate students, staff, and Trustees. This task force may recommend divestment if all of the following criteria are met:

1. The company's action or inaction is directly causing social injury, or is violating national or international law.

2. Concern about the company's behavior is broadly and consistently held within the campus community; divestment is not likely to cause deep rifts, reduce free and open debate, or otherwise affect Berkeley's ability to carry out its mission.

3. Divestment will clearly diminish the social injury in question.

4. The Trustees have exhausted other practicable avenues, including the exercise of appropriate shareholder rights, to effect a change in the company's behavior, or have determined that pursuing such avenues would likely be unproductive.

5. The company has been given the opportunity to change its behavior, and has failed to do so in a way that meaningfully reduces the social injury.

In carrying out its analysis, the task force will consider a variety of sources, including consultations with UCOP, the Berkeley Endowment Management Company (BEMCO) and the endowment companies managing trusts and annuities.

If the task force recommends divestment and the ESG Subcommittee concurs, the recommendation would be forwarded to the UCBF Executive Committee. If the Executive Committee concurs, the recommendation would be presented to the full Board of Trustees for discussion and vote.

Other considerations

Divestment-related actions may include:

- Divestment of direct investment in the equity and debt securities of a company or clearly-defined group of like companies;
- Divestment of investment in derivatives based on those securities;
- Suspension of further investment in that company; and/or
- In the case of commingled funds, discussions with the fund managers.

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